irrigation rendered possible by the Canal, a "Development Fund" has been constituted by earmarking therefor Rs. three lakhs out of the realisations from the sale of Government irrigable lands under the Canal. A model farm has been established for demonstrating improved methods of cultivation of sugar-cane and other valuable commercial crops. An extent of about 11 acres has already been planted with sugar-cane on this farm and investigations are in progress to see what varieties of cane will do well in this area and what manures and in what quantities are required for obtaining the best crop. One of the chief objects of this farm is to supply high-yielding sugar-cane seed to raiyats in the area.

6. *Other Irrigational Works.*—The work of improving and extending the Chickdevarajasagara Channel for which an estimate of Rs. five lakhs was sanctioned made some progress. The head works and the channel extension have been completed for irrigating about 300 acres in the first reaches of the channel beyond the Bannur tank. Detailed estimates are under preparation for a reservoir at the Hulhalli site in connection with the Kabbini Scheme.

7. *Land Acquisition.*—Since the beginning of the Irwin Canal Works, an extent of 1,316 acres and 8 guntas has been permanently acquired and a sum of Rs. 1,48,214 was paid as compensation to the end of the year under report. In addition to this, a sum of Rs. 6,085 was paid for houses, huts, etc., acquired.

8. *Grant and Outlay.*—The total outlay on the Krishnarajasagara and Allied Works during the year amounted to Rs. 30,00,280 as shown below against the final grant of Rs. 29,99,050.

Works.	*Outlay in* 1930-31. Rs.
Dam Works	.. 7,58,138
Irwin Canal	.. 22,41,565
Extension or Improvement of existing Canals	.. —3,068
Investigations and Miscellaneous ..	.. 3,645
Total	.. 30,00,280

General—All the points under correspondence with the Government of Madras in regard to Krishnarajasagara Works have now been practically settled.

Diwan Bahadur Rajasevasakta Mr. K. R. Seshachar continued to be the Chief Engineer and Secretary to Government, Krishnarajasagara Works and Electrical Department in the year under review. He has since been permitted to retire and Government desire to place on record their high appreciation of the valuable services rendered by him in connection with these works.

R. RANGA RAO,
Secretary to Government,
General Department.

FINANCIAL SECRETARIAT.

Passes General Orders on the Recommendations of the Retrenchment Committee.

READ—

1. Government Order No. 3614-73—C. B. 142-30-1, dated 17th March 1931, appointing a Committee under the Chairmanship of *Rajadharmapravina Diwan Bahadur* Mr. K. S. Chandrasekhara Aiyar, to examine the possibilities of effecting economies in expenditure and of improving revenue and to suggest ways and means for stabilising the financial position generally.

2. Letter No. Fl. Ret. 285, dated 12th August 1931, from the Chairman submitting the final report of the Committee.

ORDER NO. FL. 4874-923—G. F. 136-31-1, DATED 29—30TH DECEMBER 1931.

In the latter part of the year 1930-31, Government found that the position of equilibrium between Revenue and Expenditure anticipated in the budget estimates of

the year had been disturbed by a substantial decline under some of the important heads of revenue, due to the prevailing trade depression ; and as there appeared to be no near prospect of any material improvement in the position, they decided to adopt all possible measures for the speedy restoration of the condition of balance. In view of the importance of the problem, it was considered desirable to have it thoroughly examined by a Committee of officials and non-officials and obtain their recommendations for its solution. Accordingly in G. O. No. 3614-73—C. B. 142-30-1, dated 17th March 1931, a Committee was constituted as follows:—

CHAIRMAN.

Rajadharmapravina Diwan Bahadur Mr. K. S. Chandrasekhara Aiyar, B.A., B.L., Retired Chief Justice of the High Court of Mysore.

MEMBERS.

The Revenue Commissioner in Mysore.

The Chief Secretary to Government.

The Financial Secretary to Government.

Mr. K. T. Satyanarayana Setty, Member, Representative Assembly and Legislative Council.

Mr. D. H. Chandrasekharaiya, B.A. L.L.B., Member, Legislative Council.

Mr. H. C. Dasappa, B.A., LL.B., Member, Representative Assembly and Legislative Council.

Mr. B. Sreenivasa Iyengar, Member, Representative Assembly.

2. The Committee was requested to explore all possibilities of effecting economies and of improving revenue, to ascertain the excess of the present standard of expenditure over revenues, to consider what part of the excess should be regarded more or less as of a permanent nature, and to suggest ways and means for stabilising the financial position.

3. The Committee commenced its formal sittings on the 8th April 1931, and held twenty-seven meetings, and its investigation extended over a period of four months. The Final Report of the Committee was received on the 12th August 1931 and was immediately published for general information. The Committee, however, kept Government informed, in the form of interim resolutions, of its conclusions as it reached them. This procedure was of great assistance to Government in framing the Budget Estimates of the current year.

4. The Committee made a comprehensive review of the State's finances and discussed the possibilites of retrenchment and development of revenue with the Heads of Departments. Suggestions were also invited from non-official gentlemen. After a detailed examination of all the material available, the Committee arrived at the following conclusions : that the level of expenditure was in advance of the standard of revenue by about half-a-crore of rupees, that this disequilibrium was attributable chiefly to the considerable and, in some instances, sudden decline which occurred under several major heads of revenue, as a result of the world-wide economic depression, that the scope for improving revenue resources was limited, and that the best way of balancing the budget was by reducing the level of expenditure.

The general position is described by the Committee in the following words :—

"While it may with justification be hoped that the economic depression will not continue indefinitely, and that with an amelioration of general conditions and a revival of trade as well as the stabilisation of prices, there will be an eventual improvement in the principal heads of State Revenue, including the earnings from Railways, no marked change in this direction can, with any confidence, be looked for during the next two or three years. It is safe to anticipate that a considerable proportion of the fall in revenue, say about one-half, is likely to persist."

5. The Committee's proposals to cover the deficit comprised, firstly, retrenchments in expenditure to the extent of about Rs. 48¾ lakhs in a full year, and secondly improvements in revenue resources of about Rs. 4½ lakhs.

6. The recommendations in regard to additional revenue are the following:—

(i) *Forest.*—Enhancement of the levy of seigniorage from 8 annas to 10 annas on cart-loads of green and dry fuel removed from the forests, estimated to yield Rs. 25,000.

(ii) *Income-tax.*—A moderate enhancement in the rates of income-tax with a view to increasing the revenue under this head by about Rs. 2½ lakhs.

(iii) *Stamp and Registration.*—Withdrawal wholly or partially, of exemptions from payment of Stamp duty and registration fees in respect of certain classes of transactions, expected to yield Rs. 25,000.

(iv) *Medical.*—Levy of fees from out-patients treated in hospitals in all District Headquarter towns, estimated to bring in Rs. 6,000 per annum, and

(v) *Education.*—Re-imposition of fees in English Middle Schools, realising rupees one lakh

Excepting the last item, which was dropped in deference to the wishes of the Representative Assembly, at the June Session 1931, the rest of the suggestions have been substantially accepted by Government and action has already been taken to give effect to them as detailed in Annexure I of this order.

7. As regards retrenchment generally, the bulk of the recommendations of the Committee submitted in the form of interim resolutions were considered by Government during the preparation of the current year's Budget, and reductions in expenditure grants to the extent of about Rs. 31½ lakhs were effected in the Budget Estimates of the year. (*Vide Annexure II*). After the issue of the Budget and on receipt of the Final Report of the Committee, Government dealt with the rest of the recommendations. The several orders passed by Government from time to time have been published in the *Mysore Gazette* and also placed at the disposal of the Press. A list of these, with the amounts of retrenchment effected, is appended to this order as Annexure III. The total reduction made in departmental grants amounts to about Rs. 48¾ lakhs, Rs. 11¾ lakhs by savings on the Working Expenses of Concerns shown on the Receipt side and Rs. 37 lakhs under heads of charges on the Expenditure side.

8. It is not necessary to make any detailed reference here to the several retrenchment proposals and the action taken on them, as they are either evident from a comparison of the Revised Estimates of last year with the budget estimates of this year, or are explained in the separate orders issued on them. Government have accepted a very large number of the Committee's suggestions. In some cases, however, it was not found possible to adopt, wholly or partially, their recommendations, but Government have effected corresponding savings by having recourse to alternative measures of economy.

9. The specific proposals made in the Report have all been dealt with. The Committee has made certain general recommendations and observations such as, the amalgamation of districts, abolition of sub-taluks, introduction of uniform rates of pay in all departments. These are recommendations which involve important questions of policy. Immediate action in respect of them does not seem to Government either practicable or desirable. They will, however, be kept in view for such consideration as circumstances may render necessary or desirable in the future.

10. The Committee has prepared a standard budget based on the acceptance of all its recommendations. This budget is prepared in two parts—Part I, comprising ordinary revenues as well as service and departmental expenditure and Part II, interest on financial investments and net receipts from productive works as well as the interest payable on Debt and other obligations and the contribution to the Loan Sinking Fund.

11. The Committee has observed that, for a proper appreciation of the budgetary position in each year, it is desirable that a separate account of the transactions relating to productive works and financial investments should be prepared. The main object of this suggestion is to bring out clearly the financial results of capital works and other investments and to see how far they are really remunerative. Government accept this suggestion and direct that commencing from next year, a *pro forma* account on the lines indicated by the Committee be prepared by the Comptroller and submitted to Government along with the Budget.

12. The Committee has also suggested that in preparing the annual budgets, provision should be made for contributing to the following reserves, besides the Loan Sinking Fund and Depreciation Reserves:—

(1) A special reserve for non-recurring expenditure to finance individual unexpected items of magnitude above Rs. 20,000, the maximum annual contribution being fixed at Rs. 2 lakhs.

(2) Out of the surplus remaining under Part II of the budget, a portion not exceeding Rs. 5 lakhs to be credited as a Reserve for interest on capital expenditure.

The Standard Budget prepared by the Committee anticipated a surplus of Rs. 4·47 lakhs. The Committee considered that for the provision of the two reserves above referred to, a total surplus of Rs. 7 lakhs under both parts of the budget had to

be secured, and that this position could be attained within a period of two or three years. The Committee added, however, that till the full level of the required surplus was attained, the formation of one or the other of the reserves mentioned above, or in the alternative, the contribution now being made to the Electrical Depreciation Fund, might be suspended temporarily for a maximum period of three years.

13. Government agree with the Committee that it is desirable to improve the financial position so as to permit of annual contributions being made to the two reserves recommended by it. So far as the contribution to the special reserve is concerned, it has already been decided to credit to this reserve the excess over five years' average of net receipts from sales of Sandal oil, but it has not so far been possible to give effect to this decision. The formation of this or the other reserve, mentioned by the Committee, depends on a general improvement of the financial position. The course of events since the Committee concluded its labours has upset its anticipations of revenue, and it has therefore become necessary to go still further and effect more retrenchments, including a cut in salaries, than were recommended by the Committee for restoring budgetary equilibrium. In view of this situation, it is not possible to give immediate effect to the suggestions of the Committee for the formation of the reserves above referred to, but they will be kept in view for necessary action in due course.

14. The Committee has commented on the heaviness of the Public Debt and suggested that there should be no further resort to public borrowing for at least a term of years. It has also observed that all future programmes of capital works should be carefully scrutinised with reference to their productive character, and that the annual outlay on such works should be limited to a maximum of Rs. 40 lakhs or such lesser amount as may be available out of the annual accretions to savings bank deposits, insurance and other funds, after the prescribed proportions thereof are duly invested under the orders in force. Government agree with the Committee that the remunerative character of capital works proposed to be undertaken and the contraction of debts for financing them should receive the most careful consideration. The capital expenditure has been heavy in recent years mainly because of the undertaking of certain large works, like the Krishnarajasagara Works and the New Bangalore Water Supply Project. For constructing works of such magnitude, special financing arrangements are necessary. In meeting the ordinary annual requirements of capital works, the limit and source suggested by the Committee will, as far as possible, be adopted.

15. In dealing with the question of stabilisation of the financial position, the Committee has referred to the necessity for adequate safeguards for maintaining financial equilibrium and for securing a certain measure of independent financial scrutiny and advice. It is suggested that no proposal for fresh or additional expenditure, whether it be on account of a new work of some magnitude or the undertaking of a new form of activity orthe expansion of an existing activity involving additional expenditure, or a material revision of establishment, should be sanctioned until such proposal has been referred to and considered by an independent Standing Committee constituted for the purpose and consisting of both officials and non-officials. Proposals for reappropriation of budget grants of, or exceeding Rs. 20,000 in amount may also, it is suggested, be placed before such a Body.

16. Government wish to point out that under the existing constitution there is a Standing Committee for Finance and Taxation consisting of elected representatives of the Legislative Council and the Representative Assembly and the consideration of the following matters comes within the purview of the Committee :

1. Budget ;
2. Measures of taxation ;
3. Proposals for improving the State's finances ;
4. Proposals for retrenchment ;
5. In addition to the foregoing subjects, the following may also be placed before the Committee whenever Government deem it desirable to do so :—
   (i) Reports of Special Committees appointed by Government, coming within the purview of the Standing Committee ;
   (ii) Annual Reports ;
   (iii) Bills relating to matters within the purview of the Committee ;
   (iv) Any question of policy on which it is considered desirable to consult the Standing Committee.

17. In view of its constitution and the scope of its functions, this Standing Committee is the appropriate body for advising Government on matters referred to by the Retrenchment Committee. Government agree in the view that it is desirable to obtain the views of the Finance and Taxation Committee on important financial measures, and arrangements will be made for reference to the Committee of all matters that should go before it.

18. In conclusion, Government wish to express their sense of high appreciation of the valuable services rendered by the Chairman, *Rajadharmaprainva Diwan Bahadur* Mr. K. S. Chandrasekhara Aiyar, and the Members of the Committee in conducting a detailed investigation into the State's finances and in offering very helpful suggestions for solving a most difficult problem. Government note the Committee's appreciation of the good work done by its Secretary, Mr. K. R. Krishnaswamy Iyengar.

B. SRINIVASA IYENGAR,
Secretary to Government,
Financial Department.